447 PORTAGE AVENUE, WINNIPEG, MANITOBA R3C 3B6 TELEPHONE: (204) 956-8470 FAX: (204) 956-1446

W. TERRENCE WRIGHT, Q.C.
Senior Vice-President
General Counsel & Secretary

July 27, 2004

DELIVERED VIA E-MAIL

Mr. John Stevenson, Secretary
jstevenson@osc.gov.on.ca
Ontario Securities Commission
Suite 1900, Box 55
20 Queen Street West
Toronto, Ontario, M5H 3S8

and

Ms. Anne-Marie Beaudoin,
consultation-en-cours@lautorite.qc.ca
Directrice du secrétariat
Autorité des marchés financiers
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Québec, H4Z 1G3

Dear Sir/Mesdames:

RE: CANADIAN SECURITIES ADMINISTRATORS ("CSA")
PROPOSED NATIONAL INSTRUMENT 81-106 - INVESTMENT FUND CONTINUOUS DISCLOSURE ("NI 81-106")

We commend the CSA's initiative to harmonize the continuous disclosure (CD) requirements among Canadian Jurisdictions, and to replace most existing local CD requirements with a uniform Instrument. In particular, we applaud the CSA's efforts to extend the application of NI 81-106 (the "Instrument") to all 'investment funds' (including scholarship plans and non-redeemable investment funds), not just funds subject to National Instrument 81-102. But, it must be noted that NI 81-106 does not extend to certain pooled funds and wrap accounts that are sold on a competitive basis to mutual funds, yet are not subject to the same regulations as mutual funds governed by the Instrument. It is our view that the rules as established should apply to all manners of organizational structure in equal fashion. One must remember that the management and distribution of investment funds is a very competitive business and the imposition of

a set of rules pertaining to one particular product separate and distinct from the universe of investment funds should be done so carefully having regard for competition and the costs associated with regulatory requirements.

Investors Group fully supports any reasonable CD requirements and related fund governance initiatives that seek to provide securityholders with relevant information they reasonably desire in order to be fully informed about their mutual fund investments. It must be recognized, however, that many of the requirements imposed by NI 81-106 entail substantial costs (as discussed in greater detail below) that, in some cases, may not be justified when measured from the corresponding usefulness of the information or the level of interest expressed by securityholders in having this information compiled and available for their review.

In this regard, we wish to express our concerns with respect to the interpretation by the CSA of the results from the investor survey conducted by COMPAS Inc. (the "COMPAS Survey") on behalf of the Ontario Securities Commission and released in support of the current version of the Instrument. We suggest that the COMPAS Survey does not wholly support all of the CD requirements imposed by NI 81-106, such as all of the detailed information required by the annual and semi-annual Manager's Report on Fund Performance (MRFP), the Quarterly Portfolio Disclosure Statement, and the annual Proxy Voting Record disclosure. In particular, we reference these conclusions from the COMPAS Survey that relate to the current level of satisfaction with mutual fund Annual Reports:

- (Page 10 of the COMPAS Survey): "Most mutual fund holders (82%) are at least medium-term, if not long-term, thinkers who based their investment decisions on returns in years or decades … Long-term thinkers are especially apt to say they did not read the reports because of their long-term outlook.";
- (Page 7): "In practice, the main reason for skimming rather than careful reading is a perception of mutual funds as long-term investments….. Some unitholders read the reports rarely or not at all because, according to their own testimony, they are too busy or the reports are not import to them.";
- (Page 6): "… fund holders who tend to read their reports tend to be satisfied with them."

These findings are supported by empirical industry-wide experience indicating that less than 5% of mutual fund clients request to receive their fund's Annual Report, and even fewer request interim reports. In the case of the Investors Group Funds specifically, our statistics (as reported to the CSA on SEDAR) indicate that only 1.38% of clients have requested us to send them their fund's 2003 Annual Report.

Of course, we are not saying that there can be no improvements in the CD obligations for mutual funds, and we would hope and expect that certain aspects of enhanced disclosure would be welcomed by securityholders as demonstrated by higher response rates in the future. Rather, we are saying that each new CD requirement should be approached cautiously with a proper balancing of costs against utility, and that mutual

funds should not be forced to bear the costs of providing information that the vast majority of their securityholders do not wish to receive.

We have reviewed the submission by the Investment Funds Institute of Canada ("IFIC") and are generally supportive of their submission, including the suggestion that the time periods for filing and mailing financial statements not be changed in view of the other proposed substantive changes in the CD requirements (such as auditor review and board approval of interim financial statements and the Management Reports of Fund Performance). In this regard, we are concerned that the extensive nature of the new disclosure requirements, together with the compressed delivery timelines, could compromise the quality of the disclosure as well as significantly add to the associated costs that are payable by funds and, ultimately, their securityholders.

Our most significant concerns about NI 81-106 are set out in greater detail in this letter. In addition, we have attached as Appendix 'A' to this letter our comments on a section-by-section basis.

FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS

We are concerned that the CSA appears to be moving away from the threshold of materiality for purposes of financial statement disclosure, as witnessed by section 3.7 which provides that a fund may not omit any line item from its financial statements unless the fund has 'nothing' to disclose, and by the CSA's comment that financial statement presentation "should not be left completely to a materiality threshold." Currently, funds need not report on line item expenses if the expense constitutes less than 5% of total fund expenses, and the prior version of the Instrument carried over this 5% threshold which has now been removed. In our view this change could significantly lengthen financial statement disclosure without any corresponding informative value (given that the items are not meaningful), but in addition will make certification of compliance with the financial disclosure requirements much more difficult and could further complicate the audit process as auditors may be asked to audit insignificant expenses.

Part 3 of the Instrument provides detailed requirements regarding financial statement and note disclosure, and our comments on some of the 'technical' aspects can be found in Appendix 'A' to this letter. Regarding these comments, however, of particular concern to us is the requirement in section 3.6(2) to disclose details of the borrowing arrangements entered into by a fund as this will entail a substantial amount of duplicative disclosure for funds that utilize borrowing as an integral component of their overall investment strategy. (We note that details of borrowing arrangements are currently detailed in the notes to the financial statements. Therefore, we request that this provision be modified to except funds that have similar disclosure elsewhere in their financial statements.

Similarly, we wish to take this opportunity to note that the definition of "net asset value" (section 1.1) is problematic for certain funds with respect to the requirement for the fair valuation of liabilities. Currently, GAAP (AcG 18) does not require fair valuation of liabilities. In some cases, a requirement to 'fair value' liabilities, such as mortgages held against specific assets and preferred shares in split-share corporations, is a departure from GAAP and is illogical as it would cause the Fund's net asset value to unduly fluctuate with movements in interest rates. Accordingly, in our view it would serve no purpose to require fair valuation of long term liabilities by funds in these circumstances. Further, the requirement attempts to prescribe GAAP for valuing liabilities, when GAAP should be established by the Canadian Institute of Chartered Accountants.

MANAGEMENT REPORTS OF FUND PERFORMANCE ("MRFP")

We agree with the change to require the MRFP on a semi-annual rather than quarterly basis.

The MRFP is intended to address a perceived desire by securityholders for more information about the performance of their funds. The usefulness of the MRFP will depend, to a large extent, on its presentation in a concise manner with just the performance information most wanted by securityholders. This is recognized by the CSA's expectation that the annual MRFP will be about 4 pages per fund 'under normal circumstances', and 2 pages for the interim MRFP.

Based on the requirements of Form 81-106F1, we have contemplated the nature of the disclosure entailed for the annual MRFP for one of our funds that invests in foreign equities, Canadian equities, fixed income securities and uses derivatives for asset allocation purposes. It is evident from our review that the MRFP will in almost all cases be substantially longer than 4 pages. (Given that commercial printers print in multiples of 4 pages, it is likely that any MRFP that is greater than 4 pages will jump to 8 or even 12 pages or more.) We also do not anticipate that the interim MRFP will be much briefer, contrary to the expectations of the CSA.

Among the reasons for the length exceeding 4 pages are the following:

- Many funds offer several series or classes of securities, each with its own expenses, distributions, NAV per unit/share and performance. Although it is not mandatory for the MRFP to include all series, (section 7.5 of the Instrument, and s.3.4(2) of the Companion Policy to the Instrument, permit the MRFP to cover multiple series of the same fund), existing systems do not easily allow (in a cost efficient way - if at all) for the segmentation on a client-by-client basis of information pertaining separately to each series. Since most of the funds distributed by Investors Group offer 3 series of units to retail clients, it will be necessary to repeat the two 'Financial Highlights' tables, and the 'Past Performance' compound return table and bar chart for each series in the MRFP for each fund.

- The 'Summary of Investment Portfolio' must include the top 25 long and top 25 short positions held by a fund, as well as a separate break-down by category of the investments held by the fund. This disclosure alone will require at least one full page of disclosure if it is to be in a type-size readable for most clients.
- The requirements for 'Management Discussion of Fund Performance' are very involved and the guidance given does not provide sufficient clarification of the level of disclosure required. (For example, funds are required to discuss changes in risk level and risks that have had a material affect on past performance or are expected to affect future performance, yet there is no industry wide consensus about how to measure fund risk.)

The unwieldy length of the MRFP as now proposed will make it less user friendly and more expensive to produce. We note that the COMPAS Survey reported (at page 13) "The most desired elements of information relate in some fashion to performance measures, for example, year-over-year performance numbers, fees and expenses, and disclosure of a fund's best and worst returns." Therefore, we strongly urge the CSA to more narrowly focus the disclosure requirements of the MRFP to only those items of most interest to securityholders about the performance of their investment. Accordingly, the MRFP should be confined to the compound performance table, performance bar chart, MERs and summary of fund holdings by category, with associated commentary as necessary to explain these items of performance. In our view, at the very least, disclosure of number of shares/units outstanding, number of investments held and perhaps other items in the Financial Highlights tables that do not directly relate to fund performance –(such as portfolio turnover rates) should be deleted.

In brief, clients may want more frequent reporting of returns, not necessarily more frequent reporting of financial highlights derived from the financial statements.

Likewise, we question whether it is necessary to include the list of the top 25 long and short positions held by the fund, given that a summary of fund holdings by investment category is included in the MRFP, and the fact that the CSA has determined that it is not necessary to include the mailing of the Quarterly Portfolio Report (discussed in greater detail later in this letter) as part of the 'standing instructions' delivery requirements in Part 5 of the Instrument. (Please see our more detailed comments about the content of the MRFP attached in Appendix 'A'.)

Furthermore, the problems associated with length of the MRFP are exacerbated by the stipulation in section 7.4(3) that a separate MRFP must be done for each fund, and that MRFPs of different funds cannot be bound together into one document. This will result in some clients receiving numerous multi-page MRFPs, which is exactly the opposite of the CSA's expressed desire that clients not receive a 'telephone book'. Respectfully, this provision is overly-prescriptive and actually detracts from the comparability of different fund MRFPs. At a minimum, we suggest that managers be allowed (if they wish) to combine the disclosure pertaining to 'Management Discussion of Fund Performance' of related funds where the same discussion is pertinent to all those funds,

as would clearly be the case for a foreign equity fund and its RSP clone counterpart. Fund managers can tailor their discussion about specific funds within the same commentary. In this manner a common commentary can be used for several funds, and yet it could still be detailed for purposes of each fund. This will achieve the following benefits:

- Better achieve the CSA's goal of facilitating comparisons between funds;
- Reduce the time and costs associated with preparing the MRFP; and
- Reduce the overall size of the MRPFs sent to clients (especially clients who hold several related funds having similar investment mandates), and correspondingly reduce the delivery costs.

Finally as regards the MRFP, we are very concerned about the requirement in s.18.3 that the first annual MRFP be sent to all securityholders. This will result in many of our clients receiving numerous MRFPs, one for each fund that they hold. Based on our experience in mailing our 2003 fund Annual Reports to clients who requested them, and assuming an average length of 4 pages per MRFP, we estimate that the cost of this mandatory mailing will be somewhere between $1.2 and $1.5 million. Given our expectation that the annual MRFP will likely be substantially longer than 4 pages, we expect that the actual cost will be even greater with a corresponding inflated impact on fund MERs. Given that the purpose of this mailing is simply to educate securityholders about the nature of the MRFP so that they are better able to make an informed decision whether or not to request it, we feel that this cost is unjustified as there are alternative means to accomplish the same objective. These alternatives may include the preparation of a standardized mock-up of a 'typical' fund MRFP that could be mailed out by all fund managers (if an actual example of an MRFP is deemed necessary), or simply a standardized industry-wide notice describing the MRFP in sufficient detail to provide securityholders with the necessary information upon which to make an informed decision.

DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE

Part 5 of the Instrument provides that a fund must send all securityholders (for each of their funds) a copy of each of the annual and interim financial statements, and each of the annual and interim MRFP, unless the fund manager seeks either 'standing instructions' (as per s.5.2) or 'annual instructions' (as per s.5.3) from each securityholder concerning which of these documents they wish to receive. In the case of current clients, s.5.2(3) requires that a notice be sent to all securityholders within 3 months of the effective date of the Instrument (i.e. by no later than March 31, 2005) explaining the documents that the client may elect to receive. We note that for funds with a financial year-end prior to December 31 (such as most of the Investors Group Funds which have a September 30th year-end), this notice is required to be sent out up to one-year prior to the delivery of the first MRPF (because the first MRFP for these Investors Group Funds will not be required until after the financial period ending September 30, 2005). Therefore, we suggest that the effective date of the Instrument

be changed to financial years commencing on or after January 1, 2005, and that funds be allowed to send the notice required under s.5.2(3) at a time that corresponds with another securityholder mailing (such as client account statements).

The ability of securityholders to elect to receive any combination of these documents for any fund will also entail programming challenges. In many cases computer systems provide a single 'yes/no' flag for optional mailings that does not readily accommodate differences in mailing preferences between funds or based upon the nature of the documents. This could pose a problem if, for example, a client elects to receive only the financial statements for some funds and only the MRFP for other funds. We expect that the complexity of the necessary programming changes required to accommodate multiple options would demand a considerable amount of time and costs. Therefore, we suggest fund managers be allowed more discretion with respect to mailing options provided to their clients. Similarly, s.5.2(9) prescribes that a notice be sent to each securityholder annually reminding them that they may request these documents and advising how they can change their instructions. The Instrument does not indicate specifically whether this notice is generic in nature or whether it must detail each client's individual instructions, but it appears from the CSA's response to prior comments that the notice must be client specific. If so, this would greatly increase the costs of production that are passed on to funds and are ultimately payable by their securityholders.

QUARTERLY PORTFOLIO REPORT

The requirement in Part 6 of the Instrument for each fund to prepare a Report of its 1st and 3rd quarter holdings is new, and apparently in response to the CSA's change from the requirement in the previous version of the Instrument for a quarterly MRFP.

We oppose this requirement for the reasons described in greater detail in IFIC's letter dated December 23, 2003, submitted in response to the request for comments on the prior version of the Instrument, including the real possibility that this disclosure will facilitate abusive front-running/free-riding practices that are detrimental to securityholders. Furthermore, it is our understanding that in the United States, the SEC has backed away from imposing on funds the requirement for quarterly reporting of portfolio holdings, at least in part due to these very same concerns.

The potential for these abusive practices is further enhanced by the fact that, in many cases, disclosure of a fund's top 25 investments will result in the complete disclosure of its entire portfolio. We note that when the simplified prospectus disclosure rules were being debated prior to the introduction of National Instrument 81-101, these same issues arose and a compromise was achieved with disclosure of a fund's top 10 holdings in the Part B section of its simplified prospectus. To the best of our knowledge, we are unaware of any concerns with respect to the sufficiency (as opposed to the timeliness) of this disclosure.

From a broader perspective, we question the usefulness of providing quarterly portfolio holdings (including the Summary of Investment Portfolio in both the annual and interim MRFP), considering that this information is not available until 45 days after each quarter-end, and received by securityholders up to 10 days thereafter. For funds that have a very active portfolio turnover rate, the information provided by these Reports will be out-dated well before the time it is received, whereas the basis for providing this information on a quarterly basis does not exist for funds that do not have an active portfolio turnover.

The fact that the CSA has determined that the mailing of the Quarterly Portfolio Report is not subject to the 'standing instructions' or 'annual instructions' found in Part 5 of the Instrument suggests to us that provision of this information on a quarterly basis is not desired, or at least not as highly desired, by most securityholders. This further begs the question as to why it is necessary to include this disclosure in the already bulky MRFP?

We suggest that the vast majority of securityholders would be happy to receive just the break-down of their fund's portfolio into appropriate sub-groups and the percentage of the aggregate net asset value constituted by each sub-group, as proposed by Item 5 (2)(a) of Part B in Form 81-106F1, on an annual and semi-annual basis. This level of disclosure would also alleviate most of the concerns about abusive front-running/free-riding practices mentioned earlier.

PROXY VOTING

We support the summary disclosure of a fund's proxy voting policies and procedures in its Annual Information Form, and we do not object to the sending of a copy of these policies and procedures upon request to securityholders. We strongly oppose, however, the requirement in s.10.3 that each fund compile and publish its Proxy Voting Record because this would entail a huge and costly commitment of time and effort, the usefulness of this information is questionable, and we do not perceive any appreciable demand for this information.

To the best of our recollection, we have never received a single request for the proxy voting behaviour of any of our funds, including from securityholders of Investors Summa™ Fund which has as part of its mandate that it invest in a socially responsible manner. In short, we reiterate the comments in IFIC's December 23rd 2002 submission that "we do not believe that a portfolio manager's record of proxy voting is widely desired by Canadian mutual fund investors or is meaningful in assisting them to make buy, hold or sell decisions or is otherwise conducive to greater investor protection."

We do not believe, as the CSA contends, that securityholders have a fundamental right to know how their fund has voted proxies on their behalf given that there is no fundamental right to flow through voting rights to securityholders in the first place. We

further remind the CSA that section 2.2(1)(b) of NI 81-102 expressly restricts a fund from purchasing a security for purposes of exercising control over management of any issuer. Although this does not restrict a fund from voting the proxies it receives (and we agree that it is the fiduciary duty of the portfolio manager to vote in the best interests of the fund), this restriction underscores the general premise that fund securityholders are passive investors in the issuers held by their funds.

In the course of discussions about the recent fund-of-fund amendments to NI 81-102, it was duly noted that clients rely upon the expertise of portfolio managers to make proxy voting decisions. The fact that clients are dis-interested in this aspect of their investment is, we believe, acknowledged by the change in s.2.5 of NI 81-102 that voting rights in underlying fund holdings need no longer be 'flowed-back' to securityholders of the 'top' fund. Similarly, the fact that investors with holdings through intermediary accounts (including mutual funds held through intermediaries) can request not to receive proxy materials (or materials dealing with only so-called 'routine matters') under NI 54-101 (Communications with Beneficial Owners) also serves to underscore the recognition by the CSA of the general dis-interest by the investing public in this information.

The CSA must come to understand the onerous nature of the requirement to prepare a comprehensive voting proxy record for each fund. We offer the CSA the following example to illustrate the actual extent of the work that would be involved in compiling a proxy voting record for our organization comprising the management of about 140 funds.

- A fund cannot invest greater than 10% of its assets in any issuer. As a result, each fund would have at least 10 holdings in its portfolio (i.e. a total of approximately 1,400 meetings among our Fund holdings that we are required to report). In the normal course, each fund would hold more than 10 issuers. If a 'typical fund' holds 25 issuers (which coincides with the number of holdings that each fund must list in its Summary of Portfolio Holdings for the MRFP and Quarterly Portfolio Report, as described earlier in this letter), this would result in our funds having to compile information on up to 3,500 meetings.
- As the requirement is to disclose voting information 'on any matter' (including routine matters such as approval of minutes, election of directors, appointment of auditors, etc.), the total Proxy Voting Record for 140 funds would comprise over 10,000 entries. Please keep in mind that each entry requires (among other things) a description of the matter voted upon, whether management or some other party proposed the matter, and how the fund voted. (Even if the fund did not vote this must still be reported.)
- The Proxy Voting Record must be compiled on a per fund basis. Consolidating the voting record for the same issuer if held by more than one fund in the same fund family may not be practical if portfolio managers of different funds vote independently.

- Compiling this information into a consolidated record could also be difficult where external portfolio advisors are involved who vote independently of the manager (especially on routine matters when they follow the fund's Proxy Voting Policy). Likewise, this task is even more daunting where a fund employs a 'multi-manager' approach pursuant to which each portfolio manager is responsible for a different segment of the fund's portfolio.

Respectfully, although the CSA indicates that the strongest response it received from investors concerned disclosure about fund voting, the disclosure requirement here is overkill. At a minimum, it is highly unlikely that securityholders are interested in disclosure about voting on 'routine matters'. If the CSA is insistent that funds maintain a Proxy Voting Report, we urge that it be restricted to reporting only votes involving 'non-routine' matters (as defined in NI 54-101), or to only votes where the portfolio manager deviated from the fund's proxy voting policy or in circumstances where the fund voted against the recommendations of the issuer's management.

CHANGE OF AUDITOR DISCLOSURE

The extensive requirements found in s.11.4 of NI 51-102 (Continuous Disclosure) regarding a change in a reporting issuer's auditor will now apply to investment funds. Despite the extension of these new requirements to investment funds, the requirement for securityholder approval of a new auditor found in s.5.1(d) of NI 81-102 has not been removed. Given that the CSA has already granted orders relieving funds from this requirement in anticipation of the adoption of NI 81-107, and that the CSA is proposing other changes to NI 81-102 and NI 81-101 to conform with the introduction of the Instrument, we strongly urge the CSA to take this opportunity to amend NI 81-102 to eliminate the securityholder approval requirement for changes in auditor.

GENERAL REMARKS

In addition to the more specific comments already mentioned, we request that the Instrument more specifically address the CD requirements for fund-on-fund structures. For example:

- In order for 'top' funds to prepare their MRFP, they must rely upon the information provided by the 'bottom' funds into which they invest. This could create timing problems for top funds, unless the Instrument provides less restrictive deadlines for the filing of their financial statements and MRFPs.
- Similarly, the Instrument is not clear about whether a top fund must 'look through' to the portfolio investments held by its bottom funds in all circumstances when preparing its Summary of Investment Portfolio? This is not so much a problem where a top fund invests exclusively in a single bottom fund (as may be the case for an RSP clone fund), but could be quite challenging if a top fund has multiple investments in various bottom funds.

- It is also unclear whether the determination of a Portfolio Turnover Rate for a top fund should be based on its investment in its bottom funds, or the investments held by bottom funds, or whether it is even appropriate to disclose a Turnover Rate for a passively managed top fund with fixed investments in certain bottom funds?

Once again, we wish to express our appreciation to the CSA for taking the opportunity to consult with the industry. We would be pleased to discuss any of the foregoing comments with you at your convenience. Please contact me direct at (204) 956-8470, or Doug Jones, Senior Counsel – Mutual Funds, at (204) 956-8989.

Yours truly,

INVESTORS GROUP INC.

W.T. WRIGHT, Q.C.

WTW/dej

H/DOUG/NI 81-106 RESPONSE TO COMMENTS (JULY 27 2004)

Appendix A to the Submission by Investors Group Inc.
Comments on Proposed NI 81-106

PART 1: Definitions	
Definitions 1.1	The"management fees" definition is too restrictive because the list of excluded expenses isn't complete, many other expenses aren't management fees (e.g. unitholder reporting, trustee fees, etc.). We suggest: "management fees" means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers, including incentive or performance fees, but excluding operating expenses.
1.1	The definition of "manager" is slightly different from def'n in 81-102. Here its the 'person or company who directs the affairs of the investment fund'. In 81-102, it's the 'person or company that directs the business, operations and affairs of a mutual fund'. Is this difference necessary?
1.1	The definition of "net asset value" refers to fair valuation of liabilities; GAAP currently doesn't require that liabilities of an investment fund be carried at fair value (AcG 18 does not require). Therefore requiring fair valuation of liabilities might conflict with GAAP in certain cases, such as in the valuation of properties held by real estate funds. We suggest removal of reference to liabilities.
PART 2: Financial Statements	
GAAP 2.6 (2)	Remove reference; adherence to GAAP requires consistency, and changes in policies are subject to specific provisions therein.
Transition Year 2.9	This section (and s.2.7(3) of the companion policy) now mandate that for transition year, the comparative periods in the financial statements must be the corresponding months from the prior year. This could require funds to redo their financial statements for the prior year, such as if a fund changes its financial year-end from Dec 31 to Sept 30th. Currently, fund can provide comparative financial statements for current year (9 months transition year) with 12 months of prior year. This provision appears to require funds to redo statement for prior year to cover same 9 months.)
Change in structure 2.10	This provision appears to be in response to the removal of section 5.10 ('significant changes') in NI 81-102. In most of the situations mentioned, a fund would be required to file a Material Change Report and/or a prospectus amendment in any event. We understand that the requirement to file a notice does not infer that regulatory approval of the change is necessary. Please confirm that this is the case. We suggest that the wording 'or other transaction' be changed to 'or other transaction that results in a change in the legal structure of the fund'
Auditor review of Interim financial statements 2.12 (2)	What disclosure (if any) is required if the review of the interim statements is carried out at a different time in conjunction with the filing of a simplified prospectus when this occurs not within the 45 day filing deadline?. We suggest that it would be helpful to provide formats for notices for when a review is not carried out.
PART 3: Financial Disclosure Requirements	
Statement of Net Assets 3.1	For clarity: If short term debt instruments are aggregated with cash and term deposits as a line item on the statement of net assets, and not listed on the statement of investment portfolio, is there any requirement to separately report the short term debt instruments by currency? Our position is that at most the distinction should be between domestic or reporting currency and foreign currencies. Note that a requirement to separately report short term debt by each currency is onerous, could result in lengthy disclosures and does not provide commensurate additional value.
3.1	Requirement should be to disclose items separately *if material*, in accordance with GAAP.
3.1	For clarity, please confirm that the requirement is to disclose just net asset value per security, not total net assets by series/class for multiple class funds?
Statement of	Agree with aggregation of income from all derivatives (i.e. no requirement to disclose derivative income by type)

Operations 3.2 (1)3	
3.2 (1)11	Security information costs should be referred to as Security reporting costs to avoid confusion with expenses for information systems or technology (IS or IT); Prospectus filing fees and other associated costs with producing the simplified prospectus annually are agreed to be period costs, but have not been identified as a separate line item. Suggest that this figure is at least as material (if not more) as audit fees or legal fees and should be segregated from Securityholder information/reporting costs. By the segregation of simplified prospectus rules in 81-101 and continuous disclosure items in 81-106, CSA implicitly agrees that there are differences. There are also differences in the composition of the expenses (filing fees in some province based on sales, allocation from Manager of Ontario fees, etc., delivery requirements are different, etc.) that may warrant separate line item disclosures.
3.2 (1)17	We agree with the new format disclosure to not require disclosure of the cost of purchases, proceeds, cost of sales.
Statement of Changes in Net Assets 3.3 (3)&(4)	Need to clarify whether there is any requirement to disclose proceeds from issuance, amounts paid on redemption and distributions by series or just in total for fund. (see separate point on conceptual issues with multi class fund disclosures)
3.3 (6)	Terms should be consistent with tax nature of distributions/dividends as GAAP / tax differences are such that a taxable capital gain could occur and be distributed, but no gain is realized for GAAP purposes.
Statement of Investment Portfolio 3.5(6)	Quantity per underlying option is not standardized therefore this requirement prohibits meaningful aggregation. Suggest deleting words “per option” from “the quantity of the underlying interest”
3.5	We agree with dropping requirement to disclose credit ratings
Notes to the financial statements 3.6.2	This provision requires disclosure of details of portfolio transactions with related parties. Section 4.2 (2) of NI 81-102 exempts funds from the ‘self-dealing’ restrictions where a related party acts as agent, not principal, with respect to a portfolio transaction. Please confirm that a similar exception applies to disclosure of amounts paid by a fund to a related party for acting as agent in a portfolio transaction.
3.6.(1) 4	It is our view that disclosure of soft dollars in addition to total commission paid is inappropriate. Access to information at third party advisors as well as the ability to verify/audit same is limited; requires arbitrary allocation of transactions to a specific fund. The CSAs suggestion (on page 24 of its response to earlier comments) that soft dollars be estimated by subtracting the usual market rate for commissions from the amount actually paid does not contemplate any preferential pricing of trades based on volume where soft dollar services are not otherwise provided to the fund manager. Disclosure of soft dollars outside of the financial statements removes audit issue associated with verifying data from sources other than the books & records of the fund. Any soft dollar disclosure, if required, should be on basis of the percent of total brokerage commissions paid by the fund, not a specific dollar amount, and should not be specific dealer disclosure. But, we question whether this information is desired by securityholders. We would be reluctant to insert this disclosure in the MRFP for this reason. We understand that the OSC is presently conducting a study of soft dollar arrangements, and that the Canadian and U.S. positions on this issue may differ. Given that this requirement appears to be based on U.S. requirements, we respectfully suggest that changes in disclosure requirements regarding soft dollars are premature until the OSC has completed its study and had an opportunity to consult with the industry.
3.6.(1) 5	Providing a breakdown of services provided in exchange for management fees in audited financial statements requires auditor access to

	information not contained in the fund's books and records. For example, would profit be imbedded into each type of service provided or a separate component; if allocated, likely very arbitrary as manager's records likely do not capture profit for each specific service. Allocation to each fund in percent terms would be arbitrary, based on fund group totals and average management fee rates (i.e. manager does not track expenses/profits on a fund by fund basis). Similarly, how extensive and in what detail is nature of this disclosure? It may be useful for the CSA to clarify the purpose of this disclosure, as an alternative place and format for this disclosure may be more appropriate. In this regard it may be more appropriate to disclose a 'global' percentage of Management fees not paid for the provision of investment management services, similar to the current disclosure in Part A of the simplified prospectus under 'Dealer Compensation from Management Fees' (Item 9.2 – Part A – Form 81-101F1) which discloses the % of management fees paid to dealers for distribution and marketing expenses.
3.6.(2)	We note that, generally speaking, funds cannot borrow to invest unless permitted under s 2.6 of NI 81-102. (In this context does the term 'borrowing' include accounts payable for trades pending settlement, which could create disclosure concerns.) As detailed in our letter, description of the nature of borrowing transactions creates issues for funds which engage in significant borrowing activities (e.g. Real Estate Funds that hold properties having mortgage financing). The requirement to disclose in <u>both</u> MD&A & financial statements is overkill for a fund that would have to disclose terms of 60+ mortgages; would overshadow other material elements in both documents. Given restriction in 81-102 that funds limit total borrowings to not greater than 5% of net assets, we suggest that this be used as a threshold and that the term 'borrowing' be limited to debts incurred outside of the normal course of business as otherwise permitted under 81-102. Real Estate Funds should be permitted to reference mortgage financing on their Schedule of Properties and in the notes, but not replicate in the MRFP.
3.6(6)	Requirement to disclose any fees or expenses paid by manager in the notes is incredibly broad. If a manager chooses to pay for certain expenses rather than (for example) using soft dollars to cover the expense (which does not require disclosure of 'soft dollar services' provided) , would this need be disclosed?
Inapplicable Line Items 3.7	As mentioned in our letter, we are concerned if CSA is advocating that materiality not be the test with respect to disclosure, as suggested in their response to comments (page 9) "We believe that certain mandatory details in investment funds' financial statements are essential to ensure a more meaningful financial statement presentation and it shoujld not be left completely to a materiality threshold." Compliance will be made more difficult once materiality is no longer the test for disclosure purposes. Suggest that 3.7 be amended as follows: "… or for which the investment fund has nothing <u>material</u> (alternate; "meaningful") to disclose"
Incentive Arrangements 3.11 (2)	We assume the requirement is to disclose the expense from incentive arrangements separately. The expense is comprised of amounts paid and changes in payable (currently wording only captures change in payable). We suggest "The statement of operations of an investment fund must disclose changes in the amount referred to in subsection (1) <u>together with amounts paid under the incentive arrangement(s) during the period</u> as a separate line item."
PART 4: Management Reports on Fund Performance	
General	The MRFP can cover multiple series of same Fund, but once this approach is adopted the Fund would be required to explain in notes to the financial statements or MRFP should the fund change its approach. (See section 3.4(2) of companion policy). Section 7.5(1)(b) is too restrictive if it contemplates that MRFP must include all classes, rather than some classes, of the same fund. CSA should recognize that the same fund may be sold through different distribution channels, and that some classes may be common to one channel (i.e. a load class and a no-load class) where it makes sense to consolidate classes, but other classes of the same fund may be restricted to other channels. Wording should be changed to read "…combine the information relating <u>to some or</u> all of the classes or series..".

	Section 7.4(3) stipulates that separate MRFPs must be done for each Fund - and that the MRFPs of different funds cannot be bound together into one document. This may defeat the goal of producing concise and comparable disclosure in situations where fund mandates and holdings are identical (i.e. RSP clone funds and their underlying funds) or where funds have very similar investment objectives and strategies. Requiring a separate MRFP for each fund will greatly inflate production and delivery costs, and increase the time required to prepare (and translate) each MRFP.
Form 81-106F1 (MRFP) General comment	As noted in our letter, the CSA advise that they expect that 'under normal circumstances' the annual MRFP will be about 4 pages per fund, and 2 pages in the case of the interim MRFP. For multiple class/series funds, we expect the MRFP to be even lengthier. (For clients with several funds, and given the requirement that MRFP for different funds not be consolidated or bound together, it seems unlikely that the CSA will successfully achieve its desire to avoid sending clients a 'telephone book'.) Accordingly, we strongly advocate that the content of the MRFP be restricted to only those items of most interest to securityholders and which pertain to performance/return information. For example, we suggest that the CSA consider eliminating from the MRFP the Financial highlights information and the list of top 25 investments if the inclusion of same lengthens the MRFP to the point that it will be ignored. We further advocate that consolidation between funds be permitted, especially as regards the Management Discussion of Performance – so that managers may (for example) discuss the performance of all their Canadian Equity Funds within the same commentary. .
Part A Item 1(c)	The MRFP may not incorporate information from other sources by reference, but in Item 1(c) of the Form the CSA indicates that funds can include additional information in their MRFPs beyond the form content requirements, although they are to ensure such additional information does not "excessively" lengthen the document. This is too restrictive as it may be useful to allow funds to deliver a fund's MRFP and financial statements together as a package (i.e. annual financial statements & annual MRFP; interim financial statements & interim MRFP), and permit the MRFP to cross-reference certain items of disclosure in the financial statements . For example, a fund manager could elect to provide the summary of the investment portfolio together with theStatement of Investments in the financial statements, with a cross reference to it in the MRFP. This could shorten the length of the MRFP.
Part B Item 2.1	Must summarize the fund's investment objective and strategies, but the instruction provides that this concise summary is not to be merely copied from the prospectus. This is a recipe for confusion. NI 81-101 requires that the disclosure in the prospectus be concise and in 'plain language' too, so why prohibit using it? We suggest that this item requirement be deleted as being unnecessary, given that the Management Discussion of Performance will necessarily require a comparison of performance to the fund's objective. (If this is not evident, then perhaps a comparison of performance to objectives should be mentioned as part of item 2.2 'Results of Operations'.) Doing this will eliminated one sub-heading and an extra and unnecessary paragraph from the MRFP.
Item 2.2	Requires discussion about the changes in risk level over the period. Instructions indicate fund should refer to disclosure in prospectus for 'risk factors' and 'suitability' - "as if those sections applied to them" (We are unsure as to what this is intended to reference?). We note that there is no industry-wide standard for measurement of risk, and that whether a fund is 'risky' or not depends upon each client's risk profile. We suggest that this item be deleted. This will eliminate one sub-heading and an extra and unnecessary paragraph from the MRFP.
Item 2.3	As per above, suggest that items 2.1, 2.2 and 2.3 be consolidated into one section.
Item 2.4	Requires discussion under the heading 'Recent Developments' which covers 'unusual or infrequent' events or market conditions that affected performance. As noted above, all discussion of unusual market conditions, etc. should be consolidated into item 2.3 'Results of Operations'. Other 'unusual' or infrequent events, such as changes in accounting policy/mergers, changes of portfolio advisor, should be discussed separately from 'Results of Operations'. But these 'unusual events' should only be included if they would constitute a 'material change' for the fund, and it

	should be made clear by the CSA that disclosure of these events in the MRFP are in lieu of other notice requirements (such as change of manager or control of manager under s.5.8 of NI 81-102).
Item 3	Pertains to 'Financial Highlights'. These tables must be done separately for each series of units/shares, which will considerably lengthen the document. Much of the mandated information (i.e. number of units outstanding, opening NAV per unit and closing NAV, size of fund, etc.,) does not relate directly to fund performance. Please note that NAV per unit information will be 90 days out of date by time MRFP is sent to clients. MERand distributions– in addition to actual returns – are likely all that what most clients want to see. We have noticed the following problems with the requirements for the Financial Highlights tables: • Instruction 3.1(7) requires per unit values to be calculated on the basis of weighted average number of units issued over the year. The beginning and end of period NAV per unit calculated using a weighted average number of units outstanding does not match the actual NAV per unit which is based on actual outstanding units. This causes a significant variance in NAV per unit reported in the table and the actual NAV per unit. • The split of total revenue and total expenses per unit is excessive information. Expenses are measured and reported in terms of MER in order to provide a comparable measure from fund to fund. As NAVPU will vary significantly from one fund to another, clients may misinterpret the meaning and comparability of expenses per unit. Presenting a total net income per unit and MER is sufficient • Proposed rules require that realized and unrealized gains and losses per unit are calculated separately. AICPA recommendations for presentation state that realized and unrealized gains are presented as one per unit amount and are ”balancing amounts necessary to reconcile the change in NAV per share with other per share information presented” (AICPA ‘Audits of Investment Companies, AAG-INV 7.68, p. 163). Basing all calculations on average units causes a reconciliation problem between the opening and ending NAV per unit. • If one was to accept the descrepancy in opening and closing NAPVU based on using average units, the table still won’t add or reconcile. This is caused by the exclusion of sales and redemptions of units from the table. More specifically, this variance is caused by the change in actual units sold/redeemed instead of the weighted average units sold/redeemed. • We suggest that the table instructions indicate that for opening and closing NAVPU, and distributions, use actual units in order to agree to actual per unit data. Net income (one amount) should be based on weighted average units outstanding. Realized and unrealized net gains should be presented together and be the balancing amount as anticipated by the AIPCA guide for this calculation We respectfully submit that showing the number of investments held by the fund does not provide useful information, especially given that the MRFP already show a list of the top 25 long and short positions, plus the % of the fund’s portfolio comprised by these investments.Without significant, specific instructions in the instrument on how to determine this number, Fund companies are not going to be able to produce meaningful, comparable information. (e.g.Does each issuer count only once, or once for each type of security held for the issuer?; How are derivative contracts counted?; and Where a fund holds multiple bonds of one issuer, but with differing maturity dates, are all considered as one “investment” in that issuer? Does it matter is some mature within 1 year?; etc.)
Item 4	We note that the requirement to produce a bar chart of "Past Performance" for each series or class will also lengthen the MRFP. Fund’s should be given the option of inserting the bar charts, or compound return table, or both. Item 4.2(4) requires that the fund disclose its best 6 months performance, and worse 6 months performance during the periods covered by the bar chart. It's not clear if the 6 month periods are to be any period of 6 months, or half years that are in sync with the dates of the MRFPs? We question whether this information is relevant to most securityholders, especially if the fund has had a significant event, such as change in fees or objectives, and the best/worse 6 months pre-dates the change? (The COMPAS Survey reported that 82% of respondents considered performance over years or decades.)

Item 5	MRFP must show separately the % of fund assets invested in appropriate subgroups. This must be in a table, but the instructions indicate that fund can, in addition, present this information in the form of a pie chart. (Why not just pie chart? The Instrument ought to be flexible on presentation format) Instruction #7 for this section provides that if a Fund holds an Index Participation Unit (IPU) or a long position in a derivative (other than for hedging purposes), the fund must 'look through' the security to the issuers held through the IPU or derivative and consolidate those issuers with its direct holdings of those issuers. This is similar to the determination in s.2.1(3) of NI 81-102 as to whether a fund has invested more than 10% of its assets in any issuer, except that s.2.3(4) of 81-102 exempts a fund from doing this if the underlying issuer comprises less than 10% of the IPU or derivative. Same exemption should apply here too. For both the MRFP and quarterly disclosure (if mandated, see next point) top 25 should only inlcude total percent of Total NetAssets for all securities in the top 25, not on a per security basis and should be allowed to present the list of securities in alphabetical order. This is in order to prevent front-running/free riding. If the client wishes to see the whole investment portfolio, it is available semi-annually in the financial statements. For the reasons discussed in our letter, we do not support disclosure of a fund's top 25 holdings on a quarterly basis. This information is not directly related to performance, and so should not be in the MRFP. Inclusion of just the pie chart noted above, or the equivalent table, would avoid most of the front-running/free-riding concerns. We do not necessarily share the view that some funds be permitted to disclose their top 25 holdings, and other funds their top 10 holdings, as this would be confusing to readers and would not alleviate concerns about abusive practices.
PART 5: Delivery	
General	In its Responses to Comments received on the prior version, (page 28), the CSA specifically say that '<u>Householding</u>' (i.e. combining mailings to clients in the same residence) is not permitted. As there is no confidential client information in the MRFP, (it is fund information only), and as a means to reduce postage costs and the number of mailings received by households, we submit that the CSA should permit fund managers to have the flexibility to mail on a Household basis. Similarly, to reduce costs, the Instrument should provide funds with the flexibility to limit the ability of clients to elect on a 'yes/no' basis for all reporting by information type & reporting period, but not by fund. (i.e. A selection to receive certain information for one fund applies to all related funds.) (CP 2.6(2)(c)) The prohibition from going back to an annual solicitation after moving to a standing order is too restrictive. Systems issues, data conversions, technology advances, cost issues, etc. might combine to produce a situation where it is either impossible or simply not in the best interests of the securityholders to continue with standing orders.
5.2(3)	The requirement to send initial standing order solicitation within 3 months of effective date (i.e by March 31 2005) is too prescriptive. This may not be compatible with reporting periods, or concurrent with a fund's ability to begin capturing all new client standing orders. It would be premature to send out the annual election notice at this time for funds having a Sept 30 year end, which means that their clients may not receive the first MRFP until the period ending Sept 30 2005. Given that the CSA recommends sending initial standing order solicitation with this first MRFP, this would not be possible for fund's with a Sept 30th year-end in the way 5.2(3) is now drafted..
5.2(5)	Provides that a fund may rely upon instructions previously received under NI 54-101. These are instructions obtained by Dealers at time an account is opened to determine if a client wishes to receive communications directly from the issuer, or through the dealer, or none at all. Given that NI 54-101 applies to dealers, not funds, we assume that the CSAs intention is to allow funds to continue to rely upon Dealers for purposes of

	compliance with this provision? If it is acceptable for fund's to rely upon existing instructions on file provided by clients to their dealers, then we ask that the CSA also allow funds to rely upon instructions provided by clients under existing exemptive relief orders.
5.2(9)	Section 2.6(3) of the companion policy advises that the annual reminder notice can be sent electronically, or combined with other notices, or sent with a client statement. (The provision does not indicate how specific this annual reminder needs to be, so presumably it can be generic. In the responses to comments (page 19), however, the CSA indicates that the annual reminder must advise clients of their existing election on file. This seems to contemplate that the notice must indicate whether client currently receives the annual financial statements , semi-annual financial statements , annual MRFP or interim MRFP, or any combination thereof. - In other words, the notice would have to be programmed specifically for each client.) A requirement to remind clients each year that they can change their election is okay, but requiring funds to indicate on the notice the specific client election is onerous and can be expensive because customized mailings are more expensive to produce and mail than generic notices. We suggest that a 1-800 number or alternate means of contacting the fund be used so clients can find out their election, rather than provide it to them. Please confirm that the requirement to send to beneficial owners (i.e. nominee accounts) falls upon Dealers?
5.3(3)	In the case of annual instructions, the required dates for sending response forms is very confusing. The requirement to send the request form with the first communication in the financial year. (i.e. This is likely to be with the client's first account statement of the year which would normally be sent out within 30 days of year end) would result in sending the request form up to 90 or so days prior to the client receiving the prior year's financial statements. This would be far too confusing to clients. We recommend leaving the timing of the annual instruction solicitation to the funds. If giving clients sufficient response time is a concern of the CSA, that issue should be specifically addressed (e.g. minimum response window of 21 days before non-response can be deemed as "no"). CSA should address what should be done for persons who become clients after the annual mailing of the annual request form, but before mailing of the next financial report. (Note that the requirements of 5.2(4) would essentially require the equivalent of a standing order system and should not simply be extended to 5.3 for new clients under an annual instruction approach.)
5.4	Delivery by no later than filing +10 days for mailing is reasonable
PART 6: Quarterly Portfolio Disclosure	
Quarterly portfolio disclosure Part 6	We note that the standing/annual instructions for delivery in Part 5 do not extend to Quarterly Portfolio Disclosure, but that Quarterly Portfolio disclosure is specifically mentioned in 7.2(1)(d). Accordingly, the standing order/annual instructions requirements do not apply for delivery of quarterly portfolio disclosures. We assume that clients must request delivery of each quarterly portfolio report separately, and that delivery would be required within 10 days after each request. We agree that mandatory quarterly mailings of the portfolio summary statement not be required, but ask whether it is necessary to include this information in the MRFP if the CSA does not consider it necessary to include similar Quarterly Portfolio Disclosure as part of standing delivery instructions. For the reasons noted in IFIC's December 2002 letter, we oppose requirement to post Quarterly Portfolio Information as this will encourage short-term investment planning. As noted by the Compas survey, 82% of mutual fund investors indicated that they had a medium or long-term outlook that extended over 'years or decades'. Further, these clients tended to 'skim' their fund reports because, in part, of their long-term outlook. We do not believe that the Compas survey supports more frequent reporting of the fund's portfolio. (Implicitly, quarterly fund portfolio reports suggests that there are material changes in fund holdings between quarters. Even assuming this is the case, how useful is this

	information when the portfolio information is posted 45 days after the reporting date and received 10 days thereafter?)
PART 7: Financial Disclosure – General	
Binding Restrictions 7.4	Prohibition against binding management reports on fund performance essentially requires all funds to now distribute documents on a client specific basis (i.e. only send the statement which the client holds). The only alternative is to mail a ream of unbound paper to clients. If the CSA are wishing the industry to move to client specific mailings of only the funds that the client held at the period end, then they should so dictate. Binding of management reports serves useful purposes for distributors and other users who wish to see multiple funds in one comprehensive document (rather than trying to herd thousands of pages of unbound documents). Also, 7.4(1) provides that financial statements of one fund cannot be 'intermingled' with information relating to another fund. On page 28 of the Responses to Comments, the CSA advises that use of a columnar format for financial statements is prohibited if this results in information of several funds combined in parallel columns on the same page. In other words, the Stmt of Net Assets for each fund must be done separately. Although this is not of particular concern to IG (as we produce & print almost all the financial statements for each fund separately – using combined note disclosure) it could be a real concern for other fund complexes.
Multiclass Investment Funds 7.5	"Sections 8.2 of the Rule and 2.4 of the Policy clarify that financial statements of different classes of an investment fund that is referable to the same portfolio may be combined together or prepared separately**. If combined together, those statements that would be different for each class, such as the statement of operations, must be separated**." It is inappropriate to separate the statement of operations for each series of the same fund. The financial statements are the statements of the Fund – which is the issuer. Groups of securityholders are segregated for various reasons (pricing, distribution channels, etc.) by issuing separate classes or series of securities. However all securityholders share an undivided interest in the same pool of assets. All expenses are expenses of the fund, albeit some are specifically attributable to one series or another. Many expenses are only notionally allocated to the various series for the purposes of MER and NAV Per Unit calculations (e.g. audit fees, custody fees, etc.). Likewise, certain assets and liabilities are notionally allocated to specific series. Further, financial statements are meant to flow together to create a complete picture of the entity. Statement of Operations provides the change from operations reported in the Statement of Changes in Net Assets, which reconciles the net assets in the Statement of Net Assets. Bifurcation by series of any of the financial statements is inappropriate, as this only serves to remove the coherence of the financial statements. Currently, financial statements of multi class entities are generally provided in one of two ways: whole fund, or separately by series or groups of series. In either case, the Statements of Net Assets, Operations and Changes in Net Assets are almost identical (the whole fund's results are presented in both cases). The only difference between whole fund statements and series specific versions is the presentation of other information such as MER and performance. When all series are combined, all series specific MER, performance, etc. is disclosed. When separate statements are issued by series, the MER and performance for that series only is presented. Requiring multiple statements of operations representing each series is not in accordance with the fundamental principles of GAAP. If the CSA is aiming to provide information on the varying results by series, we propose that this is already achieved by the requirement to disclose in the notes the material differences between series (3.6(1)(3)), to calculate separate MER and through the discussion of performance by series and financial highlights by series in the MRFP.

PART 8: Independent Valuations of Labour Sponsored Funds We have no comments at this time.	
PART 9: AIF	
AIF Part 9	Timing for filing an AIF is the same as for filing the financial statements. If the AIF requires information derived from the financial statements, this could be problematic. Therefore additional time should be provided to allow for completion of data requirements
PART 10: Proxy Voting Disclosure	
10.2	We have no problem with the requirement that each fund establish voting policies and procedures covering routine matters (which may be based on standing instructions), deviations from standing instructions, non-routine matters, and supervision of compliance with these procedures, and a summary of these policies and procedures must be disclosed in the AIF (section 10.2(3).) It appears that the voting policies are those of the fund itself, and not the fund manager. If so, please confirm that it is acceptable for the manager to have one set of policies applicable to all funds it manages? Further, please confirm that it is not necessary for securityholders to approve the policy applicable to their fund? . It's not clear whether the requirement in 10.2(e) to establish procedures to advise clients of any changes in the proxy voting policy means that the fund must send a notice to all its clients whenever it makes any changes, or even just material changes, to the policy? Perhaps a notice of this nature is what item 2.4 of the MRFP is intended to cover?
10.3	We disagree with the requirement to file the annual Proxy Voting Record. As indicated in our letter, this is quite onerous. The sheer size and scope of the requirement will be very time consuming and impractical to compile. (This would be especially the case where a fund has delegated voting authority to its portfolio advisors – as contemplated by section 6.1(1) of the CP – and in cases where the fund utilizes a 'multi-manager' investment approach.) In view of the requirement to provide a summary of the fund's Proxy Voting Policies and procedures, it would make sense to report only those instances where a fund deviated from the policy, or voted against management, if any disclosure at all is required. The contents of the record are extensive, and cover 'any matter for which the fund receives proxy materials for a meeting of an issuer' (s. 6.1(5) of the companion policy), including the name of issuer, date of meeting, description of issue voted upon (Does this simply mean a description of whether the matter was routine? How extensive must the description be?), whether the fund voted (so even if the fund does not vote the matter must still be reported in the Record), whether fund voted for or against, whether fund voted with or against management's recommendation. Clearly, it will be time consuming to enter all of the required information per issuer held by the fund. The disclosure requirement is overkill since (at a minimum) it is unlikely that securityholders are interested in disclosure about voting on 'routine' matters (if, in fact, they care about voting on any matters at all!). In this regard we note that the CSA, in NI 54-101 (Communications with Beneficial Owners), has recognized that most investors do not wish to receive proxy materials that relate to routine matters. In 54-101, "routine business" is defined as: • Consideration of minutes of an earlier meeting;

	• consideration of the f/s of the issuer or an auditors report on the f/s; • election of directors; • setting or changing the number of directors to be elected within a range permitted by corporate law, if not change to the constating documents is required; • reappointment of the incumbent auditor. In October, 2003, amendments to 54-101 were proposed to delete the definition of 'routine business', and to replace it with the notion of a 'special resolution' which is defined as any resolution that requires at least a 2/3 vote or is otherwise considered to be a special resolution under corporate law. If this amendment is adopted, we suggest that a similar definition be referenced in the Instrument. In summary, we strongly oppose to the requirement to compile and post this Record because we do not perceive that there is any demand for it by clients, but if the CSA is insistent that funds maintain a Proxy Voting Report, it should be more focused to reporting just votes involving 'non-routine' matters, or to votes that deviate from the Proxy Voting Policy of the fund, or to votes where the fund opposed management's recommendation.
10.4	Section 10.4 provides that the Voting Proxy Record must be sent out to any securityholder of the Fund upon request at no charge. It's not clear if the voting proxy record must be accompanied by the full Proxy Policies and Procedures document, despite wording in s.6.1(6) of the companion policy which is intended to clarify this point?. (We assume that the fund pays for mailing out this package?)
PART 11: Material Change Report	
11.1(2)	We note that, in the case of a MCR that is filed on a confidential basis, section 7.1 of the companion policy provides that the fund must notify all insiders of the prohibition against trading until the MCR is made public. We question whether this is appropriate for funds other than exchange traded funds, given that the NAV per unit is based on the market value of fund holdings? If the CSA maintains the prohibition on trading during the 'confidentiality' period, it would be helpful to have better guidance on the definition of 'insider' as it pertains to a mutual fund. For example, if a fund has several portfolio advisors, and a decision is made to terminate one advisor, are all of the other advisors (who have no knowledge of the pending termination) deemed to be insiders?
PART 12: Proxy Solicitation and Information Circulars We have no comments at this time	
PART 13: Change of Auditor	
Requirement for securityholder consent in 81-102	The extensive requirements found in section 11.4 of NI 51-102 regarding changing the auditor now apply to funds. Despite these new requirements, it does not appear that the requirement for unitholder approval in s. 5.1(d) of NI 81-102 has been eliminated. We note that, some funds have obtained relief allowing them to change auditors without unitholder approval, provided that the change was approved by all members of an Independent Review Committee. Although the CSA indicates that change of this nature is 'out-of-scope' for this project, we note that other conforming changes have been made to both NI 81-102 and 81-101 to accommodate 81-106. Now is an opportunity to formalize the new approach adopted by the CSA as evidenced by the exemptive relief that the regulators are now prepared to grant.
PART 14: Calculation of Net Asset Value	
Calculation of	Proposal indicates that NAVPU must be calculated in US or Cdn $. Proposal should be that there is one NAVPU (per security) per fund and it

NAV Part 14	must be calculated in the reporting currency of the fund (which is usually Cdn$). If alternate currencies are also quoted, the basis for that calculation should be disclosed in the prospectus, AIF and financial statements (generally these are simply the reporting currency NAVPU converted to US$ at today's exchange rate). Future redemptions are done at the future reporting currency NAVPU converted at the foreign exchange rate at time of redemption. This is different from foreign denominated funds that execute their operations in a foreign security and thus do have a different foreign exchange risk profile. Securityholders should not be mislead about the extent of foreign exchange shelter that the foreign NAVPU of a domestic currency fund offers compared to the Cdn NAVPU.
PART 15: Calculation of Management Expense Ratio	
General	Please confirm that MER's will only be presented in management report on fund performance and not in the financial statements? This is in accordance with GAAP and IFIC's letter to the OSC dated March 31, 2004.
15.1(1)	(CP 10.1(4)) "Brokerage <u>and other portfolio transaction</u> charges are not considered to be part of total expenses as they are included in the cost of purchasing, or netted out of the proceeds from selling, portfolio securities." The logic that holds for brokerage costs should be clearly extended to other transactional costs that are imbedded in the cost / proceeds of securities.
15.1(3)	Now, 15.1(3) provides that non-optional fees paid directly by clients are excluded from MER. But, there is now a requirement that the fund estimate and disclose these fees (in connection with the holding of securities of the fund) as a % of NAV, and also disclose "the type of fee paid directly by investors, including the services expected to be received". It is not clear where this disclosure is to be placed? Section 10.1(5) of the companion policy provides that a fund need not restate its MER for prior periods if the information is not reasonably determinable, which conflicts somewhat with 15.1(3)(b) which indicates that where non-optional fees paid directly by securityholders are 'not ascertainable', the fund must include the maximum amount of the fee that could have been paid by those securityholders.
15.1(4)	For clarity: Under 15.1(4) if expenses can be rebated to all securityholders in accordance with the terms of the simplified prospectus and those terms are <u>not</u> exclusively offered (i.e. same terms are available to every Securityholder in that series) and the terms of those expense rebates can not be altered (i.e. reduced to the negative impact of the securityholders), then do they not fall under the exemption for "expense caps" that can't be altered except by securityholder vote?
PART 16: Additional Filing Requirements	
16.3	Pursuant to s. 16.3, where a fund holds a unitholder/shareholder meeting, there is now a specific requirement to file a report 'promptly' following the meeting describing the nature of matter voted upon and the outcome of the vote. If vote is by ballot, the report must also disclose votes cast for/against, and votes cast in person and by proxy. It's not clear whether or not this report must be sent to securityholders of the fund? Is there an obligation to send a notice to securityholders (perhaps with their next account statement) advising them about the outcome of the meeting, or is this something that would also be included in item 2.4 of the next MRFP?
PART 17: Exemptions We have no comments at this time.	

PART 18: Effective Date and Transitional	
Effective date and transitional provisions Part 18	Need clarity on how this would be applied to various year ends in transition period. (A reference similar to Appendix A of CP for change in year ends would be helpful.) 18.5 requirement to deliver to all clients their first annual management reports is a very expensive way to educate the clients on the new report that is available to them. We further note that, as written, this requires client to receive a separate MRFP for each fund. The CSA indicates that purpose of this mandatory mailing of the MRFP is to provide investors with an idea of the information available in the MRFP so that they can make an informed decision as to whether they wish to receive it in the future. If client owns more than one fund managed by the same manager, perhaps it would be more appropriate to require just one MRFP to be mailed out, rather than one for each fund. We recommend an alternative where the industry prepares a 'mock up' in accordance with the Form 81-106F1, subject to the advance review by the CSA, that could be sent out with the first standing order/annual instruction solicitation. The example format could be highlighted with educational descriptions and explanations to help the clients understand the meaning of the report, rather than just send them another unwanted report. Better still, a one page notice describing the contents of the MRFP would be less expensive and would accomplish the same objective. Receiving a new unsolicited MRFP will annoy clients, because we have already begun the "upon request" only mailings and 98% have opted out of receiving the annual & semi annual reports. Most clients will believe that we have ignored their requests and believe us to be wasteful with their investments by sending the report.